

ADDENDUM TO ACTUARIAL CONSULTING SERVICES AGREEMENT

THIS AGREEMENT is entered into between the Missouri Department of Transportation and the Missouri State Highway Patrol Medical Life Insurance Plan (hereinafter, "Plan") and Watson Wyatt & Company (hereinafter, "Consultant").

WITNESSETH:

WHEREAS, on January 1, 2006, the Plan and Consultant entered into an actuarial consulting agreement (hereinafter, "Original Agreement").

WHEREAS, the Original Agreement will terminate on December 31, 2008, unless extended by either party and the Plan and the Consultant wish to extend the Original Agreement to December 31, 2009, subject to the herein contained provisions.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and representations in this Agreement, the parties agree as follows:

(1) TERMS: The terms of the Original Agreement will be extended from January 1, 2009 and will close at the close of business on December 31, 2009, unless this Agreement is further extended or terminated by either party prior to the latter date pursuant to the provisions in the original contract or herein.

(2) PURPOSE: It is the intent of this addendum that Consultant provide the actuarial consulting services to the plan in accordance with the Original Agreement and Consultant's proposal for contract extension dated August 15, 2008, except as either may be altered, amended or modified in this Agreement. In case of any conflicts among said documents, the provisions of the Original Agreement and this addendum shall be controlling.

(3) CONTRACT PRICE: The Plan shall pay the Consultant in accordance with the pricing schedule proposed by the Consultant in Exhibit A, attached.

(4) INCORPORATION BY REFERENCE: The Original Agreement and the Consultant's pricing proposal under Exhibit A dated August 15, 2008, are incorporated herein by reference.

(5) FORCE AND EFFECT: Except as herein amended, supplemented or altered, the Original Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the date last written below.

Executed by the Consultant this 15 day of October, 2008.

Executed by the Plan this 29 day of October, 2008

MISSOURI DEPARTMENT OF
TRANSPORTATION AND THE MISSOURI
STATE HIGHWAY PATROL MEDICAL
LIFE INSURANCE PLAN

WATSON WYATT & COMPANY

Robert Bruck

Title CFO

By [Signature]

Title Managing Consultant

Approved as to Form:

[Signature]

Plan Counsel

By _____

Title _____

J:/otto/2009 actuarial contract

FILED:
[Signature]
SECRETARY TO THE COMMISSION

**AMENDMENT NO. 1
TO
ACTUARIAL CONSULTING AGREEMENT**

**EXHIBIT A – PRICING
EFFECTIVE JANUARY 1, 2009 THROUGH DECEMBER 31, 2009**

- | | | | |
|----|---|---|----------|
| 1. | Annual Fee for providing two Actuarial Valuations | - | \$45,000 |
|----|---|---|----------|

Reports to be provided for the periods ending June 30, 2009 and December 31, 2009 shall be provided on the same schedule laid out in (B) of Exhibit B of the original contract, provided that all necessary data is delivered to WW within thirty days following the end of the applicable period.

- | | | | |
|----|-------------------------------------|---|----------|
| 2. | Hourly rate for consultant services | - | \$340.00 |
| 3. | Fee to provide the GASB45 valuation | - | \$42,000 |

ACTUARIAL CONSULTING AGREEMENT

THIS AGREEMENT is entered into by the Missouri Highways and Transportation Commission (hereinafter, "Commission"), acting through the Board of Trustees for the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan (hereinafter, "Board"), and Watson Wyatt & Company, (hereinafter called "WW").

WITNESSETH:

The Commission desires to hire WW to provide actuarial and consultant services to the Commission for the purposes of administering its medical and life insurance plan ("plan"), and

WW is agreeable and staffed to provide such services for compensation.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and representations in this Agreement, the parties agree as follows:

(1) SCOPE OF WORK: WW shall advise and assist the Commission in monitoring claims in order to develop contribution rate changes applicable to the various rating groups for the proper maintenance of the insurance fund and to establish the necessary reserves to carry out the purposes of the plan for hospital and medical insurance coverage for Missouri Highways and Transportation Commission, Missouri Department of Transportation and Missouri State Highway Patrol employees. WW's services are generally set forth in Exhibit B.

(2) PERIOD OF PERFORMANCE: The term of this Agreement shall be from January 1, 2006 to December 31, 2008. At the Commission's option, the term of this Agreement may be extended for one year through December 31, 2009 in accordance with Section (17) hereof.

(3) WRITTEN REPORTS: WW shall provide the Board with two (2) written reports based upon actuarial studies of the plan for plan years beginning July 1, 2005. The reports are to be submitted to the Board within six (6) weeks of June 30, 2006, December 31, 2006, June 30, 2007, December 31, 2007, June 30, 2008 and December 31, 2008, provided that all necessary data is delivered to WW within thirty (30) days following the end of the applicable period.

(4) ASSISTANCE, ADVICE OR SERVICES: WW shall provide such other assistance, advice or services of the type generally referred to in paragraph (C) of Exhibit B, at such times deemed necessary by the Commission for the purposes of proper maintenance of said insurance fund.

(5) AMOUNT AND METHOD OF PAYMENT: The Commission agrees to pay WW and WW agrees to accept as payment in full for the performance of the actuarial services described in paragraphs (A) and (B) of Exhibit B to this Agreement as shown in Exhibit A to this Agreement. WW's charges for such services shall be invoiced semi-annually in equal installments of 50% each following completion of each report delivered

pursuant to Section (3) hereof. The fee for the GASB45, post-employment actuarial review will be invoiced as work is performed, not to exceed the fees show in Exhibit A.

The Commission further agrees to pay WW a per hour fee for consulting services provided pursuant to Section (4) hereof as described in paragraph (C) of Exhibit B. Hourly fees are shown in Exhibit A. WW's charges for such services shall be invoiced monthly as such consulting services are performed. If any request for such consulting services is expected to result in fees in excess of \$5,000, then either the Commission or WW shall confirm the request in writing.

If any services are requested by the Commission or the Board which are not within the initial scope of this Agreement then the scope and fees for each such assignment shall be negotiated and confirmed in accordance with the requirements of Section (6) hereof. Services that fall outside the initial scope of this Agreement include, but are not limited to, consulting concerning organizational assessment of people and processes, strategic consulting to the Board, analysis and comparison of the Commission's life insurance and medical plan to the Missouri Consolidated Health Care Plan, and assisting with vendor bidding and proposal analysis.

In addition to the fees provided for above, the Commission shall reimburse WW for reasonable out-of-pocket expenses incurred in the course of providing the services. Copies of receipts for each reimbursable expense in excess of \$25.00 shall be furnished with the invoice on which such expenses are submitted for reimbursement.

The Board reserves the right to audit WW's records directly related to the fees and reimbursable expenses invoiced hereunder. Any such audit shall be conducted during normal business hours and upon reasonable prior notice.

(6) MODIFICATION: Any change in this Agreement including the Scope of Work described herein must be accomplished by a formal contract amendment, signed and approved by and between the duly authorized representatives of WW and the Board. Any such amendment shall specify an effective date, any increases or decreases in the amount of WW's compensation if applicable, and be entitled as an "Amendment", and signed by the parties identified in the preceding sentence. Notwithstanding the foregoing, a request for consulting services pursuant to Section (4) hereof shall not require an amendment to this Agreement. The parties agree that no other method and/or prior to contemporaneous oral communication by or from any person shall be used or construed as an amendment or modification of supplementation to this Agreement.

(7) COORDINATION OF ACTIVITIES: WW shall fully coordinate its activities in the performance of this Agreement with those of the Board. As the work of WW progresses, advice and information on matters covered by this Agreement shall be made available by WW to the Board through the effective period of this Agreement.

(8) PROPERTY OF COMMISSION: No material or reports prepared by WW shall be released to the public without the prior written consent of the Board unless disclosure is required by law or legal process.

(9) ASSIGNMENT: WW shall not assign or delegate any interest in this Agreement and shall not transfer any interest in this Agreement (whether by assignment, delegation or novation) without the prior written consent of the Board.

(10) CONFLICT OF INTEREST; CONFLICTING OBLIGATIONS: WW covenants that it presently has no contractual obligations or other commitments that would prevent WW from performing its obligations to the Commission under this Agreement, and WW shall not enter into any contract or commitments that would interfere with WW's performance hereunder. WW also covenants that if it is requested by the Commission to review a proposal or service offering of a third party, WW shall notify the Commission if WW has any contractual or client relationship or ownership interest in such third party that would pose an actual or apparent conflict of interest prior to undertaking such an assignment.

(11) WW NOT EMPLOYEE OF COMMISSION: WW represents itself to be an independent contractor offering such services to the general public and shall not represent itself or its employees to be an employee of the Commission. Therefore, WW shall assume all legal and financial responsibility for taxes, FICA, employee fringe benefits, workers' compensation, employee insurance, minimum wage requirements, overtime, etc., and agreed to indemnify, save and hold harmless the Commission, its officers, agents and employees, from and against any and all monetary loss, including attorney fees, and damage of any kind related to such matters.

(12) BANKRUPTCY: Upon filing for any bankruptcy or insolvency proceeding by or against WW, whether voluntarily or upon the appointment of a receiver, trustee or assignee for the benefit of creditors, the Commission reserves the right at its sole discretion, to terminate this Agreement.

(13) LAWS OF MISSOURI TO GOVERN: This Agreement shall be construed according to the laws of the State of Missouri. WW shall comply with all local, state and federal laws and regulations relating to the performance of this Agreement.

(14) PAYMENT FOR SERVICES: The Board shall pay WW for the services rendered pursuant to this Agreement as specified in Section (5) hereof within thirty (30) days following receipt of a properly itemized invoice in triplicate. Payment to WW will be made to the address specified in the invoice unless WW has specified a different address in writing or unless a court of law specified otherwise.

(15) CONTRACT CONTENTS: This Agreement between the Board and WW shall consist of the written contract. However, the Board reserves the right to clarify any contractual relationship in writing with the concurrence of WW and such written clarification shall govern in case of conflict with the applicable requirements stated in the RFP or WW's proposal.

(16) TERMINATION OF CONTRACT: The Board may terminate this Agreement at any time by providing WW with at least ten (10) days prior written notice of such termination, which shall become effective on the date specified in the notice of termination sent to WW.

(17) EXTENSION OF CONTRACT: This Agreement shall not bind, nor propose to bind, the Board for any contractual commitment in excess of the original contract period. The Board shall have the right at its sole option, to extend the contract for one additional one-year period, or a portion thereof. In the event that the Board exercises its option, all terms, conditions, and provision of the original contract shall remain the same.

and apply during the extension period. If the options are exercised, WW shall agree that the prices stated in the original contract shall not be increased in excess of the maximum percentage increases, if any, stated on the pricing page of the contract (Exhibit A). Any percentages of increase shall be computed against the original contract price for each extension period. If the pricing page does not include such percentages or if applicable spaces are left blank, prices during extension periods shall be the same as during the original contract period. The Board does not automatically exercise its options based upon the maximum percentage of increase without documented justification supporting an increase and reserves the right to offer or to request an extension of the contract at a price less than that price derived from WW's extension percentages, if any.

(18) PROVISIONS REQUIRED BY LAW: During the term of this Agreement, if either party believes that applicable law requires the addition to or modification of any term or condition of this Agreement, then the party identifying such requirement shall notify the other party of the requirement in writing and the parties shall negotiate in good faith to complete an appropriate amendment to this Agreement.

(19) LIMITATION OF LIABILITY: The Commission shall pay WW for any time charges and out-of-pocket expenses, but not attorneys' fees incurred by WW in responding to any subpoena or other legal process that may be issued to WW or any of its officers, directors or employees in connection with litigation or other proceedings to which the Board or Commission is a party and which seeks production of documents or testimony relating to the Commission, the Board, their employee compensation and benefit plans or the services performed pursuant to this Agreement.

If any of the services performed by WW hereunder do not conform in all material respects to the requirements of this Agreement, the Commission or the Board shall notify WW promptly and WW shall re-perform such services at no additional charge or, at the Commission's option, shall refund the portion of the fees paid for such non-conforming services. If re-performance of the services or refund of the applicable fees would not provide the Commission with an adequate remedy for damages arising from the performance, nonperformance, or breach of this Agreement, then WW shall be liable only for actual direct damages in an amount not to exceed 200% of the fees paid by the Commission pursuant to this Agreement during the one-year period immediately preceding the event giving rise to the claim, regardless of the form of action. In any event, WW will not be liable for any indirect, special, or consequential damages or any economic loss (including lost profits or unrealized savings) even if WW has been notified of the possibility of such damages or loss. The remedies stated in this Section (19) will be the exclusive remedies for any damages arising from WW's performance, nonperformance, or breach of this Agreement, regardless of the form of action.

(20) INDEMNIFICATION--PATENT AND COPYRIGHT INFRINGEMENT: WW shall defend, protect and hold harmless the Commission, its officers, agents and employees, against all suits of law or in equity resulting from any patent and copyright infringement by WW in the course of performing this Agreement.

(21) NON-DISCRIMINATION: WW shall comply with all the provisions of Executive Order No. 94-03, issued by the Honorable Mel Carnahan, Governor of Missouri, on the fourteenth (14th) day of January, 1994, which executive order is incorporated herein by reference and is made a part of this Agreement. This order

prohibits discriminatory employment practices by WW or its subcontractors based on race, color, religion, national origin, sex, age, disability or veteran status.

(22) RECORD MAINTENANCE: WW must maintain all records directly relating to the work performed or amounts invoiced pursuant to this Agreement. These records must be available during normal business hours at no charge to the Commission and/or its designees or representatives during the term of this Agreement, including any extension term, and for three (3) years from the date of final payment made under this Agreement.

(23) NONSOLICITATION: WW warrants that it has not employed or retained any company or person, other than a bona fide employee working for WW, to solicit or secure this Agreement, and that it has not paid or agreed to pay any company or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, the Commission shall have the right to annul this Agreement without liability, or in its discretion, to deduct from this Agreement price or consideration, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fee, gift, or contingent fee.

(24) VENUE: It is agreed by the parties that any action at law, suit in equity or other judicial proceeding to enforce or construe this Agreement, or regarding its alleged breach, shall be instituted only in the state court in Missouri.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date last written below:

Executed by Watson Wyatt & Company this 15th day of ~~March, 2006~~ January 2007 TP
Executed by Missouri Highways and Transportation Commission this 23rd day of
~~March 2006~~ January 2007 TP

MISSOURI HIGHWAYS AND
TRANSPORTATION COMMISSION,
Acting through the Board of Trustees
for the Missouri Department of
Transportation and Missouri State
Highway Patrol Medical and Life
Insurance Plan

By: Robert Buckner
Chief Financial Officer

Attest:

Marion Winters
Secretary

Approved as to Form:

W. C. Hill
Counsel

WATSON WYATT & COMPANY

By: Larry R. Hay
Title: Managing Consultant

Attest: (Seal)

Stott

**EXHIBIT A
PRICES**

Service	Firm Fixed Price		
	2006	2007	2008
A. Actuarial Valuation	\$36,000	\$40,000	\$44,000
B. Consultant Services per hour	\$300	\$315	\$330
C. GASB 45 Post-Employment Review	\$40,000	\$40,000	\$40,000
D. Medicare PDP Actuarial Equivalency Certification (if necessary)	\$7,000	\$7,000	\$7,000

The price increases shown below also shall apply to the fourth year of the contract term if the Commission exercises its option under Sections (2) and (17) to extend the term of this Agreement for an additional year.

A. Actuarial Valuation

First Renewal Period	5% maximum increase
Second Renewal Period	5% maximum increase

B. Consultant Services

First Renewal Period	5% maximum increase
Second Renewal Period	5% maximum increase

C. GASB 45

First Renewal Period	5% maximum increase
Second Renewal Period	5% maximum increase

D. Medicare Actuarial Equivalency

First Renewal Period	5% maximum increase
Second Renewal Period	5% maximum increase

EXHIBIT B SERVICES

(A) The offeror shall present any reports to the Board at a meeting. The offeror will provide to the Board eleven (11) copies of an annual and semi-annual actuarial valuation of the contingent liabilities of the Plan, which will include the following:

1. Determination of the actuarial reserve requirements.
2. Evaluation of claim experience relative to contributions in all enrollment categories.
3. Recommendation of changes in employee and dependent contribution rates.
4. Projection of claims and expenses.
5. Recommendation of benefit revisions and estimation of effect on contribution rates.

(B) The annual calendar year valuation will be delivered within eight (8) weeks of the end of the calendar year. A rate-setting (semi-annual) valuation will be required within five weeks of the end of May each calendar year unless an extension is granted in writing by the Board.

(C) The offeror will consult with the Board on any problems involved with the administration of the Plan. Such consultation may include, but is not limited to, the following areas:

1. Review administrative procedural adjustments including collecting and accounting procedures, allocation of expenses and the periodic review of benefit payments by the claim administrator at the office of the claim administrator.
2. Liaison with claim administrator regarding claim administration.
3. Assist with periodic progress and plan activity reports.
4. Attend conferences and Board meetings at the request of the Board.

(D) GASB45 post-employment actuarial review (upon request).